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Report Highlights:

China's fresh strawberry production is forecast to increase 35 percent to a record 1.0 million metric tons (MMT) in 2007 thanks to a rebound in planted acres. Frozen strawberry production is forecast to increase five percent in 2007, to 89,300 tons, due to increasing domestic demand. Exports of frozen strawberries are expected to decrease to 68,000 tons due to the European Union anti-dumping duty applied to frozen strawberries from China since October 19, 2006.

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Executive Summary

China's fresh strawberry production is forecast at a record 1.0 million metric tons (MMT) in 2007 thanks to expanding acreage. Frozen strawberry production is forecast to increase five percent in 2007, to 89,300 tons, driven by increasing domestic demand. Exports of frozen strawberries are expected to decrease to 68,000 tons due to the European Union 34.2 percent anti-dumping duty applied against frozen strawberries from China since October 19, 2006. This reduction in access to China's largest export market means increased competition from Chinese frozen strawberries in other markets, such as Japan.

Production

After declining in 2006, China's fresh strawberry production is forecast at a record 1.0 million metric tons in 2007. This represents a 35 percent jump from the previous year. The forecast is based on industry expectations of expanding acreage in response to good returns in 2006 and a return to normal yields. Strawberry acreage is expected to increase 25 percent in 2007 to 70,800 hectares. More inputs (labor, fertilizer, and irrigation) from the strawberry farmers are also expected to increase the yield. (Note: In the GAIN Production, Supply, and Distribution tables the indicator year 2006 (column) for strawberries corresponds to the marketing year beginning January 2007. All references in the text of this report will use calendar year instead of indicator year to avoid confusion.)

Average strawberry prices increased about 35 percent in 2006 due to a production shortfall caused by weather problems (Please refer to GAIN [CH5083](#) for more information about production decline in 2006). Prices for strawberries from open fields for processing experienced a larger price increase than greenhouse strawberries. In Donggang, Liaoning Province, one of China's largest strawberry producers, the price of processing strawberry tripled to ? 5/kg (USD\$0.29/pound¹) in 2006 from the average price of the previous three years. Therefore, despite the impact of unfavorable weather on yield and inefficient field management, many strawberry farmers experienced good returns in 2006.



(Source: Ministry of Agriculture, China²)

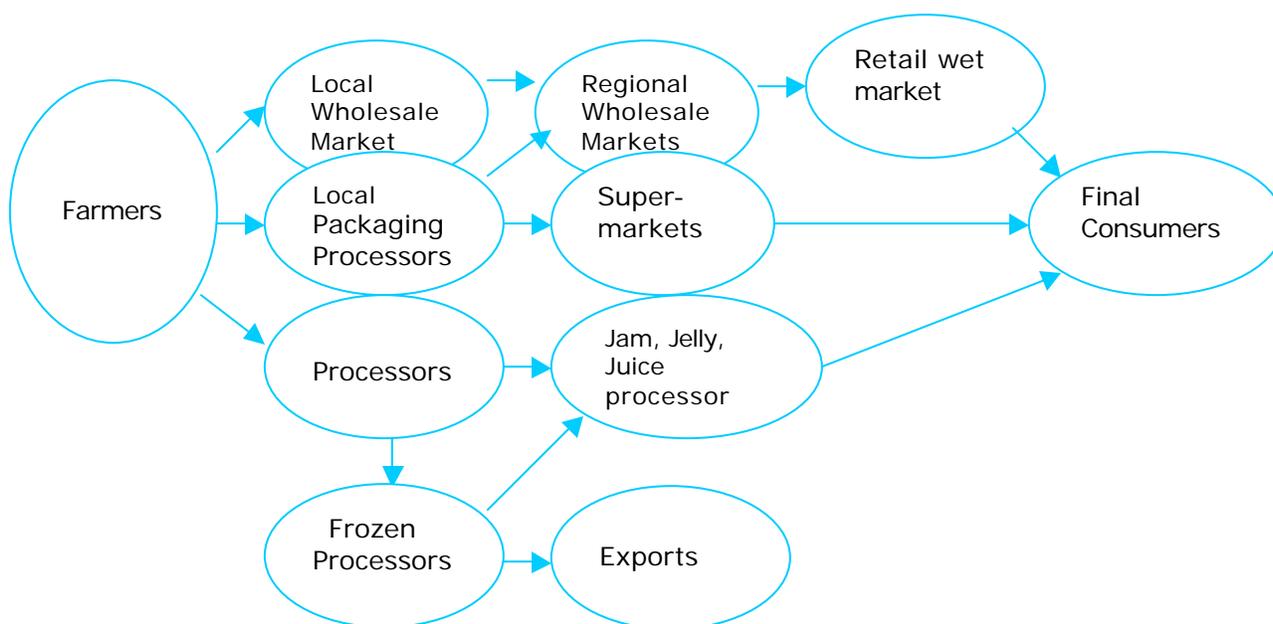
¹ An exchange rate of 7.8 Yuan per dollar is used in this report.

² Fresh strawberries are not available in Chinese Market from July to October. That is why the prices of these months are the same as June.

Fresh strawberries are available in Chinese markets from late November to June. Greenhouse (harvest period begins late November), plastic shed (harvest period begins March), and open field (harvest period begins May) account for 30 percent, 40 percent and 30 percent of total strawberry acreage, respectively. The industry is very interested in introducing summer varieties to fill the market gap from July to October. The major strawberry producing provinces in China are Hebei, Shandong, Liaoning and Sichuan Province.

In China, more than 95 percent of processing strawberries come from open field production. Industry sources indicate that acreage will expand in 2007 for field strawberries because it will respond quicker to the high prices in 2006 and needs less investment than greenhouse strawberries. Looking into the next three to five years, the industry believes that greenhouse strawberry acreage will increase rapidly driven by good returns, especially around big cities with higher income. In Beijing, for example, there are about 1,000 strawberry greenhouses located in Changping District (in the Beijing suburbs). Market intelligence collected from Post's field visits to Changping revealed that the income of one strawberry greenhouse (covering about 330 square meters) can reach ¥ 30,000-40,000 (US\$3,850-5,130) and yields 2-2.5 tons. The harvest season for greenhouse strawberries is November to March in China, a time when very few fresh fruit are available in the market, especially in North China. Although apples and citrus dominate the fruit market in winter, strawberries are one of the very few other plants that bear fruit during this period. People also enjoy the fun of picking fresh strawberries in greenhouses, despite its relatively high price (about ¥ 60/kg (US\$3.5/pound) in January).

Post forecasts frozen strawberry production at 89,300 tons in 2007, five percent higher than 2006. This is not in tandem with the 35 percent increase of fresh strawberry production because the European Union's anti-dumping tax on frozen strawberries from China is expected to limit China's frozen strawberry exports and deter processors from purchasing more berries. About 80 percent of China's frozen strawberry production is exported and the EU was the single largest market for China's frozen strawberries.



Consumption

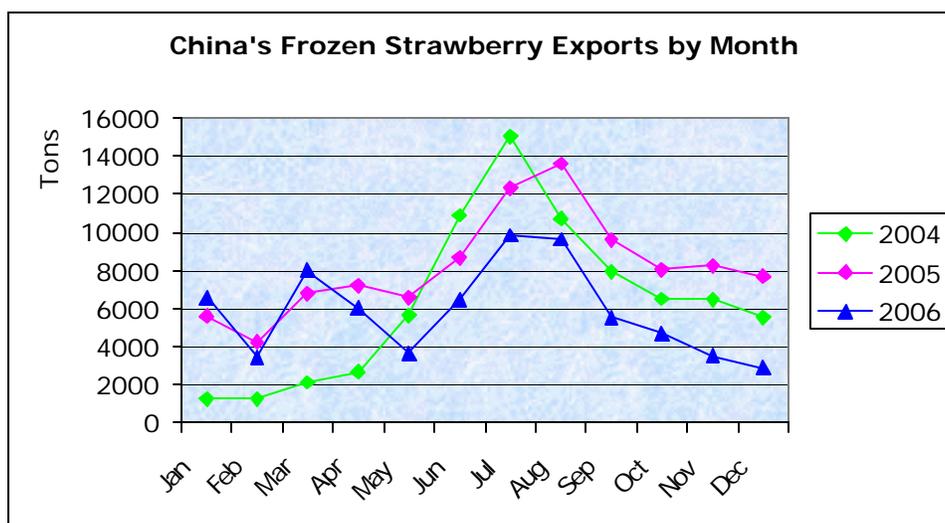
In China, about 80 percent of total strawberry production is consumed fresh and the other 20 percent is delivered to processors. Strawberries are perishable and this limits their distribution. In China, the general thinking is that fresh strawberries should be consumed within three to five days after picking, though some distributors have the packaging and transportation conditions to extend that period. The chart above briefly describes the distribution channels for fresh strawberries.

Frozen strawberries are made into jam, jelly, juice, or used as an ingredient for confectionary and dairy products. Domestic consumption of frozen strawberries is expected to increase steadily, because strawberries are becoming more and more popular in China as an ingredient, especially in foods targeting young consumers.

Trade

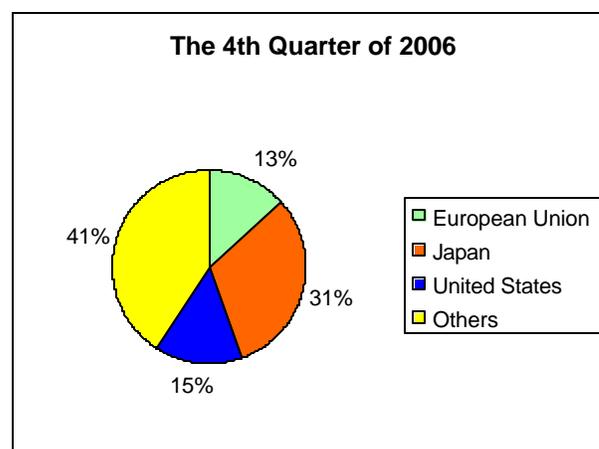
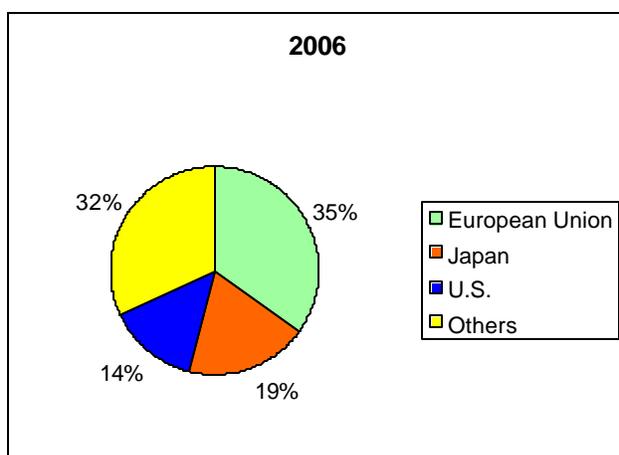
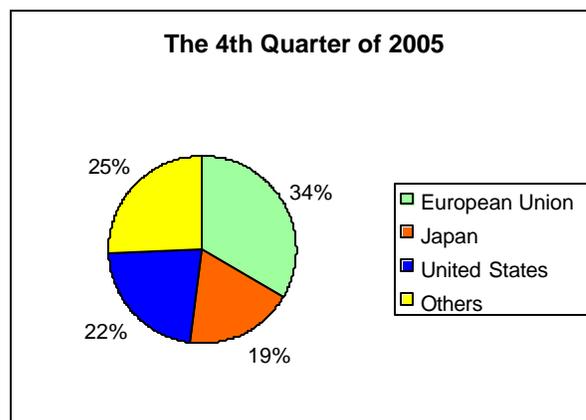
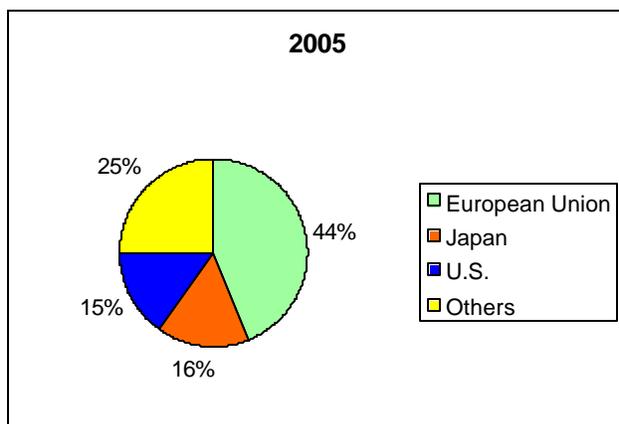
Exports: China's frozen strawberry exports are forecast to continue declining to 68,000 metric tons in 2007. The EU placed an anti-dumping duty of 34.2 percent on frozen strawberries from China effective October 19, 2006. Only one producer from Yantai (Shandong Province) is exempt from the anti-dumping duty and one from Dandong (Liaoning Province) is subject to a tax of 12.6 percent. Please refer to [PL6067](#) for more information on the EU's anti-dumping tax on Chinese frozen strawberries.

China exported 70,206 tons of frozen strawberries in 2006, down 29 percent from the previous year. Higher domestic prices resulting from the production decline and the EU's anti-dumping duty are the two major reasons for the decline in exports. China's export price for frozen strawberries reached 0.86US\$/Kg in 2006, up 56 percent from the 0.55US\$/Kg in 2005. The EU's anti-dumping duty made China's exports decline sharply in the last quarter of 2006.



The EU was the largest market for China's frozen strawberries, accounting for 44 percent of China's total frozen strawberries exports in 2005. However, the EU's share of Chinese exports fell to 35 percent in 2006, falling even further in the 4th quarter of 2006 – to only 13 percent of China's total exports.

China's frozen strawberry exports by destination



Industry sources indicate that the EU's anti-dumping duty will force China to expand the market share in other markets, including domestically. Critics suggest that the anti-dumping duty will not stop China's frozen strawberries from flowing into the EU, but that third country will serve as the bridge. The EU's anti-dumping duty on frozen strawberries from China is good news for other suppliers to the European market. However, in other markets the competition from China will become fiercer, especially in Japan. Japan is the second largest market for China's frozen strawberries, after the Netherlands, and is expected to be the largest one in 2007 as Chinese frozen strawberries are redirected there. This redirection is important because China is the major competitor for the U.S. frozen strawberries in the Japanese market, in which China maintained a 65 percent import market share in 2006. Low prices make China's strawberries very competitive in Japan, so 2007 is expected to see tight competition in the Japanese frozen strawberry market. Please refer to [JA6055](#) for more information of Japan's frozen strawberry market.

China exports a very small amount of fresh strawberries due to strawberry's perishability and China's low packaging technology and inefficient distribution. In addition, pesticide residue issues also limit fresh strawberry exports. China exported 2,279 tons of fresh strawberries in 2006, of which 70 percent went to Hong Kong.

Imports: China's frozen strawberry imports are forecast to decrease to 7,200 tons in 2007. This is a ten percent decline from 2006 due to the decreasing demand from the export market and sufficient domestic production. A large percent of imported frozen strawberries were reprocessed into frozen dried strawberries or repackaged and then re-exported.

Chile, Argentina and Morocco are the major exporters to China, accounting for 96 percent of China's total frozen strawberry imports in 2006. The United States is not a major player in China's frozen strawberry market due to high prices. The average Chinese import price increased to 1.24US\$/Kg in 2006, 2.4 times of the price in 2005, because of the global production decline. An average U.S. strawberry price of about 3.53 US\$/Kg is almost triple competitor pricing.

A lower import duty was applied to fresh strawberries in 2007. China decreased its import duty for fresh strawberry (H.S. code 08101000) to 18.4 percent in 2007 from 19.8 percent in 2006. However, this has zero impact given the fact that China does not allow fresh strawberry imports at present due to phytosanitary concerns. No country has yet to successfully complete a pest risk assessment and agreed to measures to reduce the risk of pests of quarantine concern to China.

	H.S. Code	Imp. Duty (%)		VAT (%)		Rebate (%)	
		2006	2007	2006	2007	2006	2007
Strawberries (fresh)	08101000	19.8	18.4	13	13		5
Strawberries (frozen)	08111000	30	30	13	13		5

Marketing

The demand for fresh strawberries in China continues to grow as consumer purchasing power and the quality of life increases, particularly in urban areas. It is estimated that more than 80% of Chinese strawberry production is currently consumed domestically with large extra-sweet strawberries popular with Chinese consumers. Fresh berries are normally packaged in 400-500 gram plastic containers or paper boxes. In Beijing, retailers were selling strawberries in the range of approximately \$1.50-2.00 (RMB 12-16) per 500-gram package in January 2007. Holiday seasons such as Spring Festival (Lunar New Year usually falling in January or February) are peak times for strawberry sales. Chinese consumers often purchase fruit baskets, including strawberries, as a traditional gift for friends and relatives. The berry's red color is considered lucky, and represents happiness and prosperity in Chinese culture.

As noted above, the fresh strawberry market in China is regionally focused. While in the United States most consumption is supplied by California production, China's supplies usually come from nearby production around urban centers. Thus, in Beijing and Tianjin fresh strawberries come from nearby Hebei Province. This is largely driven by the relatively short shelf life for local strawberries, coupled with high transportation costs and limited cold storage.

Fresh strawberries imports are not currently allowed in China. However, the market potential for fresh strawberries from the U.S. and other suppliers is good during the domestic off-season, roughly from July to November. The high cost of air shipment to China will limit the market for exports to mid-high income consumers and upscale food service and bakery operations such as hotels and restaurants.

China imported approximately 3,904 kg of frozen strawberries from the US in 2006, down nearly 92.8% from the previous year. The majority of imported frozen strawberries are used

as an ingredient for jam and yogurt production, and thus price is an important factor for local manufacturers. China's domestic frozen strawberries have a strong price advantage over U.S. and other imported products. In addition, the Chinese frozen strawberry industry continues to grow significantly and has become a major competitor against US product in third countries. China is the largest supplier of frozen strawberries to Japan as a number of Japanese companies have invested considerable resources in training Chinese manufacturers how to meet production and safety standards. This has enabled local manufacturers to meet both the rising standards of the domestic and international marketplace. In addition, frozen strawberries from major competitors such as Chile, Morocco and Argentina are a serious threat to US frozen strawberry exports to China.

Statistics Tables

Table 1. Fresh Strawberry PS&D Table

PSD Table									
Country	China, Peoples Republic of								
Commodity	Strawberries, Fresh						(HA)(MT)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Area Planted	53850	53850	56670	0	0	70800	0	0	70000
Area Harvested	53850	53850	56670	0	0	70800	0	0	70000
Production	646000	646000	750000	0	0	1010000	0	0	900000
Imports	0	0	0	0	0	0	0	0	0
Total Supply	646000	646000	750000	0	0	1010000	0	0	900000
Exports, Fresh	2200	2200	2279	0	0	2500	0	0	2200
Fresh Dom. Consumption	452200	452200	597721	0	0	805500	0	0	717800
For Processing	191600	191600	150000	0	0	202000	0	0	180000
Total Distribution	646000	646000	750000	0	0	1010000	0	0	900000

Table 2. Frozen Strawberry PS&D Table

PSD Table										
Country	China, Peoples Republic of									
Commodity	Strawberries, Frozen						(MT)			
	2005	Revised		2006	Estimate		2007	Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	
Deliv. To Processors	87655	87655	94400	0	0	99200	0	0	103000	
Beginning Stocks	0	0	0	0	0	0	0	0	0	
Production	82500	82500	85000	0	0	89300	0	0	93000	
Imports	11200	14500	7966	0	0	7200	0	0	7500	
Total Supply	93700	97000	92966	0	0	96500	0	0	100500	
Exports	86330	86330	70206	0	0	68000	0	0	70000	
Domestic Consumption	7370	10670	22760	0	0	28500	0	0	30500	
Ending Stocks	0	0	0	0	0	0	0	0	0	
Total Distribution	93700	97000	92966	0	0	96500	0	0	100500	

Table 3. Chinese frozen strawberry exports, by volume,

Country	1st Qtr 2006	2nd Qtr 2006	3rd Qtr 2006	4th Qtr 2006
Japan	2,693	2,981	4,394	3,458
United States	2,766	2,223	3,511	1,620
Australia	1,058	741	1,016	1,105
Netherlands	3,898	3,768	5,987	1,025
Canada	939	752	1,852	834
Saudi Arabia	345	436	410	621
Korea, South	847	1,283	1,176	509
Russia	729	194	545	470
Germany	808	693	916	244
New Zealand	123	161	118	203
France	968	526	978	50
United Kingdom	428	218	449	48
Belgium	391	165	750	42
Denmark	262	209	176	20
Others	1,752	1,772	2,722	828
Total	18,007	16,123	25,000	11,076

Source: World Trade Atlas

Table 4. Chinese frozen strawberry imports, by volume

China strawberries imports, frozen, HS: 0811.1000				Metric tons
Country	1st Qtr 2006	2nd Qtr 2006	3rd Qtr 2006	4th Qtr 2006
Argentina	213	0	73	2,059
Chile	2,092	846	25	529
Peru	0	0	0	195
Tunisia	0	0	0	77
Poland	0	0	0	68
France	0	1	2	2
United States	0	1	2	1
Morocco	0	478	1,302	0
Total	2,305	1,326	1,404	2,932

Source: World Trade Atlas